



## **AMG Reports Financial and Operating Results for the Fourth Quarter and Full Year 2009**

February 1, 2010

### **Company Reports Cash EPS of \$1.36; EPS of \$0.55 for Fourth Quarter, Cash EPS of \$4.37, EPS of \$1.38 for Full Year 2009**

BOSTON, Feb 01, 2010 (BUSINESS WIRE) -- Affiliated Managers Group, Inc. (NYSE: AMG) today reported its financial and operating results for the fourth quarter and full year 2009.

For the fourth quarter of 2009, Cash Earnings Per Share ("Cash EPS") were \$1.36, compared to \$1.32 for the same period of 2008, while diluted earnings per share for the fourth quarter of 2009 were \$0.55, compared to \$(2.12) for the same period of 2008. For the fourth quarter of 2009, Cash Net Income was \$60.0 million, compared to \$52.3 million for the same period of 2008. For the fourth quarter of 2009, Net Income was \$24.6 million, compared to \$(83.7) million for the same period of 2008. (Cash EPS and Cash Net Income are defined in the attached tables.)

For the fourth quarter of 2009, revenue was \$244.7 million, compared to \$223.4 million for the same period of 2008. For the fourth quarter of 2009, EBITDA was \$79.9 million, compared to \$54.9 million for the same period of 2008.

For the year ended December 31, 2009, Cash Net Income was \$185.7 million, while EBITDA was \$242.8 million. For the same period, Net Income was \$59.5 million, on revenue of \$841.8 million. For the year ended December 31, 2008, Cash Net Income was \$225.4 million, while EBITDA was \$309.0 million. For the same period, Net Income was \$(1.3) million, on revenue of \$1,158.2 million.

Net client cash flows for the fourth quarter of 2009 were approximately \$(780) million. Pro forma for pending investments, the aggregate assets under management of AMG's affiliated investment management firms were approximately \$231 billion at December 31, 2009.

"AMG's results for the fourth quarter and full year 2009 reflect the quality and diversity of our Affiliates, and with their outstanding relative investment performance and increasingly global profile, we are well positioned for strong earnings growth," stated Sean M. Healey, President and Chief Executive Officer of AMG. "Over the course of the year, we made excellent progress across all elements of our growth strategy, through the performance of our key Affiliates and the continued expansion of our global distribution platform, as well as the successful addition of outstanding new Affiliates. Looking ahead, we are confident in our prospects for maximizing shareholder returns in 2010."

Mr. Healey continued, "Our Affiliates generally produced excellent investment performance in the quarter, with our global and international equity and alternative managers delivering especially strong results for their clients. For example, the flagship strategies at Tweedy, Browne and Genesis produced outstanding performance relative to their benchmarks, with Tweedy's Global Value Fund ranking first in its Lipper and Morningstar categories. Together with outstanding international equity strategies from Affiliates such as AQR, Harding Loevner, Third Avenue, and Beutel Goodman, global equity products contributed over 40% of our EBITDA in the quarter. Among domestic managers, value strategies from Third Avenue and Systematic, and growth products from Frontier and TimesSquare extended their strong track records. Finally, in the alternative space, AQR and BlueMountain generated good performance in the quarter across a wide range of their absolute return products, positioning them very well for 2010."

"Consistent with broader industry trends, inflows to our Affiliates' global and international equity products were offset by outflows from U.S. equities. However, our overall client cash flow trends continue to improve, and we have been pleased to see a number of recent mandate wins through our global distribution platforms in Australia, Europe, and the Middle East, as well as increasing search volumes in global equities and alternatives. With our Affiliates' excellent track records of investment performance, especially among our global equity and alternative products, we are well positioned for accelerating organic growth as institutional and retail investors reallocate to return-oriented assets."

Mr. Healey added, "Finally, we are extremely pleased with the successful execution of our New Investments strategy in 2009 and thus far in 2010, with the announcement today of our investment in Artemis Investment Management. In 2009, we were pleased to partner with three outstanding managers - global and emerging markets equity manager Harding Loevner; Value Partners, which extended AMG's global presence into the Asian marketplace; and manager-of-managers Aston Asset Management. Consistent with our strategic focus, these investments increased AMG's exposure to the fastest-growing and most attractive areas of the industry, including the global, international, and alternative segments. Our newest investment further supports our strategic objectives. Artemis is a leading \$16 billion UK-based investment manager with one of the most highly regarded brands in the United Kingdom among retail and institutional investors. We are very pleased to welcome our newest Affiliate, which will bring our EBITDA contribution from global and international equity products to approximately 45%."

Mr. Healey concluded, "We see ongoing opportunities ahead for continued growth through the execution of our New Investments strategy. Our pipeline continues to include a diverse array of outstanding traditional and alternative firms based in the U.S. and abroad, and we are uniquely positioned to capitalize on these prospects. Given demographic trends and improving market conditions and asset flows, we will continue to benefit from our reputation as the succession-planning partner of choice among high-quality boutique asset managers globally. With our substantial financial capacity, we are well positioned to maximize shareholder returns and add materially to our earnings growth through accretive investments in additional new Affiliates."

#### About Affiliated Managers Group

AMG is a global asset management company with equity investments in leading boutique investment management firms. AMG's innovative partnership approach allows each Affiliate's management team to own significant equity in their firm while maintaining operational autonomy. AMG's strategy is to generate growth through the internal growth of existing Affiliates, as well as through investments in new Affiliates. In addition, AMG provides centralized assistance to its Affiliates in strategic matters, marketing, distribution, product development and operations. As of December 31, 2009 (pro forma for pending investments), the aggregate assets under management of AMG's Affiliates were approximately \$231 billion in more than 300 investment products across a broad range of investment styles, asset classes and distribution channels. For more information, please visit the Company's website at [www.amg.com](http://www.amg.com).

*Certain matters discussed in this press release may constitute forward-looking statements within the meaning of the federal securities laws. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including changes in the securities or financial markets or in general economic conditions, the availability of equity and debt financing, competition for acquisitions of interests in investment management firms, the ability to close pending investments, the investment performance of our Affiliates and their ability to effectively market their investment strategies, and other risks detailed from time to time in AMG's filings with the Securities and Exchange Commission. Reference is hereby made to the "Cautionary Statements" set forth in the Company's Form 10-K for the year ended December 31, 2008.*

AMG routinely posts information that may be significant for investors in the Investor Information section of its website, and encourages investors to consult that section regularly. For additional information, please visit [www.amg.com](http://www.amg.com).

#### Financial Tables Follow

**A teleconference will be held with AMG's management at 11:00 a.m. Eastern time today. Parties interested in listening to the teleconference should dial 1-877-407-9210 (domestic calls) or 1-201-689-8049 (international calls) starting at 10:45 a.m. Eastern time. Those wishing to listen to the teleconference should dial the appropriate number at least ten minutes before the call begins.**

**The teleconference will also be available for replay beginning approximately one hour after the conclusion of the call. To hear a replay of the call, please dial 1-877-660-6853 (domestic calls) or 1-201-612-7415 (international calls) and provide account number 286 and conference ID 343510. The live call and replay of the session, and additional financial information referenced during the teleconference, can also be accessed via the Web at [www.amg.com](http://www.amg.com).**

#### Affiliated Managers Group, Inc.

##### Financial Highlights

(dollars in thousands, except per share data)

	Three Months Ended 12/31/08*	Three Months Ended 12/31/09
Revenue	\$ 223,395	\$ 244,658
Net Income (loss) (controlling interest)	\$ (83,654 )	\$ 24,600
Cash Net Income (A)	\$ 52,288	\$ 59,957
EBITDA (B)	\$ 54,933	\$ 79,871
Average shares outstanding - diluted	39,523,560	44,852,911
Earnings per share - diluted	\$ (2.12 )	\$ 0.55
Average shares outstanding - adjusted diluted (C)	39,717,773	44,145,519
Cash earnings per share (C)	\$ 1.32	\$ 1.36
	<b>December 31, 2008*</b>	<b>December 31, 2009</b>
Cash and cash equivalents	\$ 396,431	\$ 259,487
Senior debt	\$ 233,514	\$ -
Senior convertible securities (D)	\$ 445,535	\$ 456,976
Junior convertible trust preferred securities (D)	\$ 505,034	\$ 507,358
Stockholders' equity	\$ 924,801	\$ 1,109,690

#### Affiliated Managers Group, Inc.

**Financial Highlights**

(dollars in thousands, except per share data)

	<b>Year Ended 12/31/08*</b>	<b>Year Ended 12/31/09</b>
Revenue	\$ 1,158,217	\$ 841,840
Net Income (loss) (controlling interest)	\$ (1,325 )	\$ 59,473
Cash Net Income (A)	\$ 225,367	\$ 185,711
EBITDA (B)	\$ 309,043	\$ 242,787
Average shares outstanding - diluted	38,211,326	43,333,355
Earnings per share - diluted	\$ (0.03 )	\$ 1.38
Average shares outstanding - adjusted diluted (C)	40,452,588	42,533,898
Cash earnings per share (C)	\$ 5.57	\$ 4.37

**Affiliated Managers Group, Inc.****Reconciliations of Earnings Per Share Calculation**

(dollars in thousands, except per share data)

	<b>Three Months Ended 12/31/08*</b>	<b>Three Months Ended 12/31/09</b>
Net Income (loss) (controlling interest)	\$ (83,654 )	\$ 24,600
Convertible securities interest expense, net (E)	-	36
Net Income (loss) (controlling interest), as adjusted	\$ (83,654 )	\$ 24,636
Average shares outstanding - diluted	39,523,560	44,852,911
Earnings per share - diluted	\$ (2.12 )	\$ 0.55

	<b>Year Ended 12/31/08*</b>	<b>Year Ended 12/31/09</b>
Net Income (loss) (controlling interest)	\$ (1,325 )	\$ 59,473
Convertible securities interest expense, net (E)	-	144
Net Income (loss) (controlling interest), as adjusted	\$ (1,325 )	\$ 59,617
Average shares outstanding - diluted	38,211,326	43,333,355
Earnings per share - diluted	\$ (0.03 )	\$ 1.38

**Affiliated Managers Group, Inc.****Reconciliations of Average Shares Outstanding**

	<b>Three Months Ended 12/31/08</b>	<b>Three Months Ended 12/31/09</b>
Average shares outstanding - diluted	39,523,560	44,852,911
Assumed issuance of LYONS shares	-	(873,803 )
Assumed issuance of 2008 Senior Convertible Notes shares	-	-
Assumed issuance of Trust Preferred shares	-	-
Dilutive impact of Options	194,213	-
Dilutive impact of LYONS shares	-	166,411
Dilutive impact of 2008 Senior Convertible Notes shares	-	-
Dilutive impact of Trust Preferred shares	-	-
Average shares outstanding - adjusted diluted (C)	39,717,773	44,145,519

  

	<b>Year Ended 12/31/08</b>	<b>Year Ended 12/31/09</b>
Average shares outstanding - diluted	38,211,326	43,333,355
Assumed issuance of COBRA shares	-	-
Assumed issuance of LYONS shares	-	(873,803 )

Assumed issuance of 2008 Senior Convertible Notes shares	-	-
Assumed issuance of Trust Preferred shares	-	-
Dilutive impact of Options	1,326,696	-
Dilutive impact of PRIDES shares	95,898	-
Dilutive impact of COBRA shares	378,692	-
Dilutive impact of LYONS shares	439,976	74,346
Dilutive impact of 2008 Senior Convertible Notes shares	-	-
Dilutive impact of Trust Preferred shares	-	-
Average shares outstanding - adjusted diluted (C)	40,452,588	42,533,898

**Affiliated Managers Group, Inc.**

**Operating Results**

(in millions)

**Assets Under Management**

Statement of Changes - Quarter to Date

	Mutual Fund	Institutional	High Net Worth	Total
Assets under management, September 30, 2009	\$ 43,156	\$ 127,383	\$ 28,789	\$ 199,328
Client cash inflows	2,520	4,868	1,513	8,901
Client cash outflows	(3,228 )	(4,992 )	(1,461 )	(9,681 )
Net client cash flows	(708 )	(124 )	52	(780 )
Investment performance	2,083	6,599	809	9,491
Assets under management, December 31, 2009	\$ 44,531	\$ 133,858	\$ 29,650	\$ 208,039

Statement of Changes - Year to Date

	Mutual Fund	Institutional	High Net Worth	Total
Assets under management, December 31, 2008	\$ 34,704	\$ 109,450	\$ 25,991	\$ 170,145
Client cash inflows	8,220	25,561	5,725	39,506
Client cash outflows	(11,185 )	(29,865 )	(6,298 )	(47,348 )
Net client cash flows	(2,965 )	(4,304 )	(573 )	(7,842 )
New investments (F)	2,669	1,661	1,258	5,588
Investment performance	10,371	33,621	5,275	49,267
Other (G)	(248 )	(6,570 )	(2,301 )	(9,119 )
Assets under management, December 31, 2009	\$ 44,531	\$ 133,858	\$ 29,650	\$ 208,039

**Affiliated Managers Group, Inc.**

**Operating Results**

(in thousands)

**Financial Results**

	Three Months Ended 12/31/08*	Percent of Total	Three Months Ended 12/31/09	Percent of Total
Revenue				
Mutual Fund	\$ 80,174	36 %	\$ 91,798	37 %
Institutional	110,666	50 %	121,957	50 %
High Net Worth	32,555	14 %	30,903	13 %
	\$ 223,395	100 %	\$ 244,658	100 %
EBITDA (B)				
Mutual Fund	\$ 16,316	30 %	\$ 26,790	34 %
Institutional	30,501	55 %	42,313	53 %
High Net Worth	8,116	15 %	10,768	13 %
	\$ 54,933	100 %	\$ 79,871	100 %

	Year		Year	
	Ended	Percent	Ended	Percent
	12/31/08*	of Total	12/31/09	of Total
Revenue				
Mutual Fund	\$ 456,187	40 %	\$ 313,177	37 %
Institutional	559,801	48 %	415,605	49 %
High Net Worth	142,229	12 %	113,058	14 %
	\$ 1,158,217	100 %	\$ 841,840	100 %
EBITDA (B)				
Mutual Fund	\$ 102,628	33 %	\$ 70,570	29 %
Institutional	168,543	55 %	139,671	58 %
High Net Worth	37,872	12 %	32,546	13 %
	\$ 309,043	100 %	\$ 242,787	100 %

#### Affiliated Managers Group, Inc.

#### Reconciliations of Performance and Liquidity Measures

(in thousands)

	Three Months		Three Months	
	Ended		Ended	
	12/31/08*		12/31/09	
Net Income (loss) (controlling interest)	\$ (83,654	)	\$ 24,600	)
Intangible amortization	164,247		16,317	
Intangible-related deferred taxes	(44,930	)	13,256	)
APB 14-1 expense	12,530		2,076	
Affiliate equity expense	2,012		1,774	
Affiliate depreciation	2,083		1,934	
Cash Net Income (A)	\$ 52,288		\$ 59,957	
Cash flow from operations	\$ 77,909		\$ 75,142	
Interest expense, net of non-cash items	16,374		14,140	
Current tax provision	17,454		8,407	
Income from equity method investments, net of distributions	3,055		4,793	
Changes in assets and liabilities and other adjustments	(59,859	)	(22,611	)
EBITDA (B)	\$ 54,933		\$ 79,871	
Holding company expenses	14,163		14,878	
EBITDA Contribution	\$ 69,096		\$ 94,749	
	<b>Year</b>		<b>Year</b>	
	<b>Ended</b>		<b>Ended</b>	
	<b>12/31/08*</b>		<b>12/31/09</b>	
Net Income (loss) (controlling interest)	\$ (1,325	)	\$ 59,473	)
Intangible amortization	204,548		64,437	
Intangible-related deferred taxes	(12,776	)	38,552	)
APB 14-1 expense	19,028		8,253	
Affiliate equity expense	8,872		7,248	
Affiliate depreciation	7,020		7,748	
Cash Net Income (A)	\$ 225,367		\$ 185,711	
Cash flow from operations	\$ 507,965		\$ 243,210	
Interest expense, net of non-cash items	68,479		57,039	
Current tax provision	49,167		(701	)
Income from equity method investments, net of distributions	(6,935	)	8,087	)
Changes in assets and liabilities and other adjustments	(309,633	)	(64,848	)

EBITDA (B)	\$ 309,043	\$ 242,787
Holding company expenses	67,737	47,352
EBITDA Contribution	\$ 376,780	\$ 290,139

**Affiliated Managers Group, Inc.**  
**Consolidated Statements of Income**

(dollars in thousands, except per share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2008*	2009	2008*	2009
Revenue	\$ 223,395	\$ 244,658	\$ 1,158,217	\$ 841,840
Operating expenses:				
Compensation and related expenses	101,290	109,814	516,895	402,584
Selling, general and administrative	55,076	38,580	209,586	131,538
Amortization of intangible assets	8,391	8,508	33,854	32,939
Depreciation and other amortization	4,095	3,096	12,767	12,745
Other operating expenses	11,150	5,594	26,511	26,945
	180,002	165,592	799,613	606,751
Operating income	43,393	79,066	358,604	235,089
Non-operating (income) and expenses:				
Investment and other income	(32,278 )	(11,338 )	(26,900 )	(24,902 )
(Income) loss from equity method investments	137,721	(9,662 )	97,142	(31,632 )
Investment (income) loss from Affiliate investments in partnerships (H)	31,639	(1,359 )	63,410	(27,425 )
Interest expense	21,678	19,448	81,425	78,129
	158,760	(2,911 )	215,077	(5,830 )
Income (loss) before income taxes	(115,367 )	81,977	143,527	240,919
Income taxes - current	17,454	8,407	49,167	(701 )
Income taxes - intangible-related deferred	(44,930 )	13,256	(12,776 )	38,552
Income taxes - other deferred	(23,957 )	(5,253 )	(24,763 )	(9,848 )
Net income (loss)	(63,934 )	65,567	131,899	212,916
Net income (non-controlling interests) (H)	(49,990 )	(39,756 )	(193,728 )	(126,764 )
Net (income) loss (non-controlling interests in partnerships) (H)	30,270	(1,211 )	60,504	(26,679 )
Net Income (loss) (controlling interest)	\$ (83,654 )	\$ 24,600	\$ (1,325 )	\$ 59,473
Average shares outstanding - basic	39,523,560	42,185,181	38,211,326	41,385,359
Average shares outstanding - diluted	39,523,560	44,852,911	38,211,326	43,333,355
Earnings per share - basic	\$ (2.12 )	\$ 0.58	\$ (0.03 )	\$ 1.44
Earnings per share - diluted	\$ (2.12 )	\$ 0.55	\$ (0.03 )	\$ 1.38

**Affiliated Managers Group, Inc.**  
**Consolidated Balance Sheets**

(in thousands)

	December 31, December 31,	
	2008*	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 396,431	\$ 259,487
Investment advisory fees receivable	131,099	140,118

Affiliate investments in partnerships (H)	68,789	93,809
Affiliate investments in marketable securities	10,399	15,387
Prepaid expenses and other current assets	23,968	76,781
Total current assets	630,686	585,582
Fixed assets, net	71,845	62,402
Equity investments in Affiliates	678,887	658,332
Acquired client relationships, net	491,408	571,573
Goodwill	1,243,583	1,413,217
Other assets	96,291	99,800
Total assets	\$ 3,212,700	\$ 3,390,906

#### Liabilities and Stockholders' Equity

##### Current liabilities:

Accounts payable and accrued liabilities	\$ 183,794	\$ 117,227
Payables to related party	26,187	109,888
Total current liabilities	209,981	227,115

Senior debt	233,514	-
Senior convertible securities (D)	445,535	456,976
Junior convertible trust preferred securities (D)	505,034	507,358

Deferred income taxes	319,491	322,671
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Other long-term liabilities	30,414	26,066
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Total liabilities	1,743,969	1,540,186
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Redeemable non-controlling interests	297,733	368,999
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##### Equity:

Common stock	458	458
Additional paid-in capital	817,713	612,091

Accumulated other comprehensive income (loss)	(4,081 )	45,958
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Retained earnings	813,664	873,137
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1,627,754 1,531,644

Less treasury stock, at cost	(702,953 )	(421,954 )
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Total stockholders' equity	924,801	1,109,690
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Non-controlling interests (H)	180,732	281,946
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Non-controlling interests in partnerships (H)	65,465	90,085
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Total equity	1,170,998	1,481,721
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Total liabilities and equity	\$ 3,212,700	\$ 3,390,906
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#### Affiliated Managers Group, Inc.

#### Consolidated Statements of Cash Flow

(in thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2008*	2009	2008*	2009

##### Cash flow from operating activities:

Net income (loss)	\$ (63,934 )	\$ 65,567	\$ 131,899	\$ 212,916
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Adjustments to reconcile Net income to net cash flow from operating activities:

Amortization of intangible assets	8,391	8,508	33,854	32,939
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Amortization of issuance costs	1,788	1,846	4,192	7,325
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Depreciation and other amortization	4,095	3,096	12,767	12,745
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Deferred income tax provision	(68,887 )	8,003	(37,539 )	28,704
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Accretion of interest	3,516	3,462	8,754	13,765
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(Income) loss from equity method investments, net of amortization	137,721	(9,662 )	97,142	(31,632 )
Distributions received from equity method investments	15,080	12,908	80,487	55,453
Tax benefit from exercise of stock options	-	1,086	2,767	4,260
Stock option expense	42,766	2,909	53,968	8,604
Affiliate equity expense	3,194	3,349	13,948	13,218
Other adjustments	7,735	(9,540 )	44,049	(42,842 )
Changes in assets and liabilities:				
(Increase) decrease in investment advisory fees receivable	35,384	(7,396 )	102,788	(6,552 )
(Increase) decrease in Affiliate investments in partnerships	8,835	(46 )	6,045	285
(Increase) decrease in prepaids and other current assets	5,330	1,635	29,154	(8,389 )
Decrease in other assets	226	446	9,770	3,315
Decrease in accounts payable, accrued liabilities and other long-term liabilities	(63,331 )	(11,029 )	(86,080 )	(60,904 )
Cash flow from operating activities	77,909	75,142	507,965	243,210
<b>Cash flow used in investing activities:</b>				
Investments in Affiliates	(14,692 )	(35,987 )	(75,602 )	(175,258 )
Purchase of fixed assets	(1,464 )	(913 )	(9,554 )	(2,566 )
Purchase of investment securities	(977 )	-	(33,613 )	(11,746 )
Sale of investment securities	1,010	766	25,156	8,069
Cash flow used in investing activities	(16,123 )	(36,134 )	(93,613 )	(181,501 )
<b>Cash flow used in financing activities:</b>				
Borrowings of senior bank debt	-	142,000	366,000	142,000
Repayments of senior bank debt	(6,486 )	(142,000 )	(651,986 )	(375,514 )
Issuance of senior convertible notes	-	-	460,000	-
Settlement of convertible securities	-	-	(208,730 )	-
Repurchase of junior convertible trust preferred securities	(24,213 )	-	(24,213 )	-
Issuance of common stock	32	7,365	238,814	37,125
Repurchase of common stock	(10,940 )	-	(65,490 )	-
Issuance costs	(695 )	(135 )	(28,859 )	(1,344 )
Excess tax benefit from exercise of stock options	-	3,703	11,101	7,539
Settlement of derivative contracts	-	-	8,154	-
Settlement of forward equity sale agreement	-	-	-	144,258
Note payments	4,366	466	5,628	3,184
Distributions to non-controlling interests	(21,270 )	(17,468 )	(252,289 )	(119,555 )
Affiliate equity issuances and repurchases	(5,976 )	775	(95,798 )	(39,534 )
Subscriptions (redemptions) of Non-controlling interests in partnerships	(2,661 )	46	(672 )	(425 )
Cash flow used in financing activities	(67,843 )	(5,248 )	(238,340 )	(202,266 )
Effect of foreign exchange rate changes on cash and cash equivalents	(522 )	477	(2,535 )	3,613
Net increase (decrease) in cash and cash equivalents	(6,579 )	34,237	173,477	(136,944 )
Cash and cash equivalents at beginning of period	403,010	225,250	222,954	396,431
<b>Cash and cash equivalents at end of period</b>	<b>\$ 396,431</b>	<b>\$ 259,487</b>	<b>\$ 396,431</b>	<b>\$ 259,487</b>

**Affiliated Managers Group, Inc.**

**Notes**

\* In the first quarter of 2009, the Company adopted Statement of Financial Accounting Standards ("FAS") No. 141 (revised 2007), "Business Combinations" ("FAS 141R"), FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("FAS 160"), Emerging Issues Task Force Topic No. D-98 "Classification and Measurement of Redeemable Securities" ("Topic D-98") and FASB Staff Position APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (including Partial Cash Settlement)" ("APB 14-1"), each of which is discussed in further detail in its Quarterly Report on Form 10-Q for the first quarter of 2009. These accounting changes have been retrospectively applied to prior periods, and are reflected in the financial results presented herein.

(A) Under our Cash Net Income definition, we add to Net Income (controlling interest) amortization (including equity method amortization) and deferred taxes related to intangible assets and Affiliate depreciation and equity expenses, and exclude the effect of APB 14-1. This supplemental non-GAAP performance measure is provided in addition to, but not as a substitute for, Net Income. The Company considers Cash Net Income an important measure of its financial performance, as management believes it best represents operating performance before non-cash expenses relating to the acquisition of interests in its affiliated investment management firms. Cash Net Income is used by the Company's management and Board of Directors as a principal performance benchmark.

The Company adds back amortization attributable to acquired client relationships because this expense does not correspond to the changes in value of these assets, which do not diminish predictably over time. The portion of deferred taxes generally attributable to intangible assets (including goodwill) that it no longer amortizes but which continues to generate tax deductions is added back because the Company believes it is unlikely these accruals will be used to settle material tax obligations. The Company adds back non-cash expenses relating to certain transfers of equity between Affiliate management partners when these transfers have no dilutive effect to shareholders. The Company adds back the portion of consolidated depreciation expense incurred by Affiliates because under its Affiliate operating agreements, the Company is generally not required to replenish these depreciating assets.

In connection with the recent accounting changes described above, in the first quarter of 2009 the Company modified its Cash Net Income definition to add back Affiliate equity and APB 14-1 expenses (both net of tax). In prior periods, Cash Net Income was defined as "Net Income plus amortization and deferred taxes related to intangible assets plus Affiliate depreciation." Under this definition, Cash Net Income reported for the three months and year ended December 31, 2008 was \$51,649 and \$221,962, respectively.

(B) EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. This supplemental non-GAAP liquidity measure is provided in addition to, but not as a substitute for, cash flow from operations. As a measure of liquidity, the Company believes EBITDA is useful as an indicator of its ability to service debt, make new investments and meet working capital requirements. EBITDA, as calculated by the Company, may not be consistent with computations of EBITDA by other companies. In reporting EBITDA by segment, Affiliate expenses are allocated to a particular segment on a pro rata basis with respect to the revenue generated by that Affiliate in such segment.

(C) Cash earnings per share represents Cash Net Income divided by the adjusted diluted average shares outstanding. In this calculation, the potential share issuance in connection with the Company's convertible securities is measured using a "treasury stock" method. Under this method, only the net number of shares of common stock equal to the value of the contingently convertible securities and the junior convertible trust preferred securities in excess of par, if any, are deemed to be outstanding. The Company believes the inclusion of net shares under a treasury stock method best reflects the benefit of the increase in available capital resources (which could be used to repurchase shares of common stock) that occurs when these securities are converted and the Company is relieved of its debt obligation. This method does not take into account any increase or decrease in the Company's cost of capital in an assumed conversion.

(D) In accordance with APB 14-1, the Company has bifurcated certain of its convertible debt securities into their debt and equity components on its balance sheet. The senior convertible securities balance consists of zero coupon senior convertible notes, which were not required to be bifurcated, and senior convertible notes due 2038. The principal amount at maturity of the senior convertible notes due 2038 was \$460,000 at December 31, 2008 and December 31, 2009. The principal amount at maturity of the junior convertible trust preferred securities was \$730,820 at December 31, 2008 and December 31, 2009.

(E) Convertible securities interest expense, net, includes the interest expense, net of tax, associated with the Company's dilutive convertible securities (including the incremental interest expense attributable to APB 14-1 but excluding the interest expense associated with the Company's mandatory convertible securities).

(F) The Company completed its investment in Harding Loevner LP during the third quarter of 2009.

(G) Other includes assets under management attributable to Affiliate product closings and transfers of the Company's interests in certain Affiliated investment management firms, the financial effects of which are not material to the Company's ongoing results.

(H) Income attributable to non-controlling interests on the Company's income statement represents the profits allocated to Affiliate management owners and investors in certain Affiliate investments in partnerships that the Company is required to consolidate. Non-controlling interests on the Company's balance sheet represents the undistributed profits and capital owned by Affiliate management, who retain a conditional right to sell their interests to the Company. Non-controlling interests in partnerships on the Company's balance sheet represent the net assets owned by investors in certain Affiliate investment partnerships, who retain the conditional right to redeem their interests to the investment partnership.

SOURCE: Affiliated Managers Group, Inc.

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